

**COST PRINCIPLES**  
**ON**  
**PURCHASES OF HEALTH AND HUMAN**  
**SERVICES**

**(Chapter 103F, Hawaii Revised Statutes)**

**STATE OF HAWAII  
STATE PROCUREMENT OFFICE  
CHAPTER 103F, HRS - COST PRINCIPLES  
PURCHASES OF HEALTH AND HUMAN SERVICES**

**PURPOSE**

To provide uniform cost principles among state purchasing agencies in procuring health and human services under Chapter 103F, HRS. These cost principles represent guidelines for determining which types of expenditures will be allowable. These cost principles are intended for use when managing contracts executed under Chapter 103F, HRS, for Purchases of Health and Human Services and should be used to guide decisions regarding:

- proposal budgets submitted by providers in response to RFPs;
- contract budgets and unit costs negotiated between state purchasing agencies and providers;
- financial reporting requirements established by state purchasing agencies; and
- fiscal monitoring requirements established by state purchasing agencies.

**1 FEDERAL COST PRINCIPLES**

Providers receiving Federal funds must comply with applicable Federal requirements. Therefore, to the extent that Federal cost principles conflict with these cost principles, the Federal requirements, if more restrictive, shall control.

**2 FACTORS AFFECTING THE ALLOWABILITY OF COSTS**

2.1 To be allowable, costs must meet the following criteria:

- a) Be reasonable for the performance of the contract and be allocable under these cost principles;
- b) Conform to any limitations or exclusions set forth in these cost principles or in the contract as to type or amount of cost items;

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- c) Be consistent with policies and procedures that apply uniformly to the contract and other activities of the organization;
- d) Be accorded consistent treatment;
- e) Be determined in accordance with generally accepted accounting principles (GAAP); and
- f) Be adequately documented.

### **2.2 Reasonable Costs.**

A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs. In determining the reasonableness of a given cost, consideration shall be given to:

- a) Whether the cost is a type generally recognized as ordinary and necessary for the operation of the provider or the performance of the contract;
- b) The restraints or requirements imposed by such factors as generally accepted sound business practices, arms length bargaining, State laws and regulations, and terms and conditions of the contract; and
- c) Significant deviations from the established practices of the organization which may unjustifiably increase the contract costs.

### **2.3 Allocable Costs.**

- a) A cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received. A cost is allocable if it is treated consistently with other costs incurred for the same purpose in like circumstances and if it:
  - 1) Is incurred specifically for the contract;
  - 2) Benefits both the contract and other work and can be distributed in reasonable proportion to the benefits received;  
or

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3) Is necessary to the overall operation of the provider, although a direct relationship to any particular cost objectives cannot be shown.

b) Any cost allocable to a particular contract, award or other cost objective under these principles may not be shifted to other State contracts to overcome funding deficiencies, or to avoid restrictions imposed by law or by the terms of the contract.

### **2.4 Conform to Limitations or Exclusion.**

Many costs are subject to various restrictions, conditions, and/or documentation requirements that must be followed before such a cost is allowable. Certain types of costs require prior approval before they are allowable, while other types of costs are unallowable.

### **2.5 Consistent Costing Treatment.**

The budgeting, recording and reporting of all costs of a particular nature must be done in the same manner regardless of the source of funding (i.e., Federal or Non Federal) associated with a project or activity.

### **2.6 Generally Accepted Accounting Principles (GAAP).**

These are standards and guidelines promulgated by the Financial Accounting Standards Board and the Governmental Accounting Standard Board, depending upon the type of organization involved. These principles direct how and when they should recognize costs on accounting records and financial statements.

## **3. DIRECT COSTS**

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular award, project, service, or other direct activity of an organization. Costs identified specifically with a final cost objective of the organization are direct costs of that cost objective and are not to be assigned to other cost objectives directly or indirectly.

## **4. INDIRECT COSTS (JOINT COSTS)**

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

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### **5. NEGOTIATED FEDERAL INDIRECT COST RATES**

Indirect costs are equitably distributed to benefiting cost objectives by using current rate(s) negotiated with the federal government. To utilize the indirect cost rate, the rate must be approved by the cognizant federal agency.

### **6 METHOD OF ALLOCATION** (Must be used by organizations without a negotiated federal indirect cost rate.)

#### **6.1 Basis and Documentation.**

Organizations incurring costs that benefit more than one cost objective such as a grant, contract, project, service, or other activity must allocate these costs using a reasonable base. Organizations must have a written cost allocation plan.

#### **6.2 Allocation to Cost Objective.**

Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, administrative salaries, and the like must be allocated individually to each objective using a base most appropriate to the particular cost being allocated. An allocation for any expense item exceeding 100% of its total cost, or its depreciation value, is unallowable.

#### **6.3 Basis for Allocation.**

Each joint cost must be allocated using a base which accurately measures the benefits provided to each cost objective. The bases must be established in accordance with reasonable criteria, and be supported by current data. Actual conditions must be taken into account in selecting a base to be used in allocating the joint costs. In general, any cost element or cost related factor associated with the organization's work is potentially adaptable for use as an allocation base, provided:

- a) It can readily be expressed in terms of dollars or other quantitative measures (total direct costs, direct salaries and wages, staff hours applied, square feet used, hours of usage, number of documents processed, population served, and the like); and
- b) It is common to the benefiting functions during the base period.

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### **6.4 Unallowable Bases.**

Allocation of costs based on forecasts, revenues received, budgeted revenues, budgeted costs, or anticipated contract reimbursements are not acceptable or allowable.

## **7 UNALLOWABLE COSTS**

The following costs are unallowable:

### **7.1 BAD DEBTS**

Any portion of the accounts receivable which has been determined to be uncollectible, is termed "Bad Debts." Any losses arising from uncollectible accounts, other claims and related costs that are actual or estimated are unallowable.

### **7.2 CONTINGENCIES**

Contingency costs are contributions to a reserve account for unforeseen costs. Contingency costs are unallowable because they are speculative in nature and do not represent an actual incurred cost.

### **7.3 CAPITAL EXPENDITURES FOR LAND OR BUILDINGS**

Capital expenditures for acquisition of land or buildings are unallowable. This does not apply to costs associated with Capital Improvement Project (CIP) funds received from the State for that purpose. (Interest on debt incurred is allowable as specified in the cost principle table.)

### **7.4 CAPITAL EXPENDITURES FOR IMPROVEMENTS**

Capital expenditures for improvements to land or buildings which materially increases their value or useful life is unallowable. This does not apply to costs associated with Capital Improvement Project (CIP) funds received from the State for that purpose.

### **7.5 ENTERTAINMENT**

Costs unrelated to service delivery, client activities or client programs, such as costs related to public relations, social activities and incidental costs relating thereto, including meals, beverages, tips and gratuities are unallowable.

### **7.6 FINES AND PENALTIES**

Fines and penalties include all costs resulting from violations of, or failure to comply with, Federal, State, local laws and regulations, and contract requirements. Fines and penalties are unallowable.

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### **7.7 FUND RAISING**

All costs of fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable.

### **7.8 GIFTS, CONTRIBUTIONS AND DONATIONS**

A gift is property transferred without receiving return consideration of equivalent value. Contributions and donations are property transferred which are not transferred in exchange for supplies or services of equivalent fair market value. Gifts, contributions and donations are unallowable.

### **7.9 INCOME TAXES**

Federal and State income taxes are unallowable.

### **7.10 LOBBYING**

All costs associated with attempts to influence the enactment or modification of any pending legislation through communication with any member or employee of the state legislature, or with any government official or employee concerning a decision to sign or veto enrolled legislation are unallowable.

### **7.11 LOSSES INCURRED UNDER OTHER CONTRACTS**

A loss incurred under one contract may not be charged to any other contract. Losses incurred on other contracts are unallowable.

### **7.12 ORGANIZATION COSTS**

Costs incurred in the formation or reorganization of an entity are unallowable. These may include, but are not limited to, incorporation fees, accountant's fees, broker's fees, and fees to promoters and organizers.

### **7.13 PERQUISITE**

A privilege furnished or a service rendered by an organization to an employee, officer, director, or member of that organization to reduce the individual's personal expenses is unallowable.

### **7.14 SECURITY DEPOSITS**

Funds held as a guaranty or assurance required by agreement is unallowable.

### **7.15 IDLE FACILITIES**

Facilities that are not being used are unallowable.

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### 8 DEFINITION OF COLUMN TITLES FOR FORM SPO-H - 201

#### 8.1 **“Cost Item”**

“Cost item” refers to the items within budget categories. For example, “Compensation for Personal Services”, should appear within the budget element category for “Personnel Costs.”

#### 8.2 **“Description”**

A description of each line item is provided to briefly characterize applicable costs within the category. Descriptions are intended to be informative.

#### 8.3 **"Allowable/Unallowable"**

Costs are allowable when they are: reasonable, allocable, lawful, and for costs invoiced for reimbursement, actually incurred or accrued and accounted for in accordance with generally accepted accounting principles, for contract-related expenditures. Certain costs are treated specially and are specifically identified as "Allowable" or "Unallowable" costs. The list of unallowable costs is not all-inclusive.

- (a) Costs identified as “Allowable with Prior Approval” are generally unallowable. Providers must receive approval of these costs, prior to expenditure. The head of the state purchasing agency may approve “unallowable” costs, if it is in the best interests of the State and all costs are reasonable, lawful and allocable.

#### 8.4 **“Remarks”**

This column describes special instructions, restrictions on the allowable limits, and required documentation that the State purchasing agency may require. All required documentation should be available upon request by the state purchasing agency. RFPs may require that certain documents be submitted at the time of application.

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1. Any cost charged to the Agreement must be reasonable, appropriate, lawful and allocable.
2. To the maximum extent practicable, the suggested terminology should be used consistently in all phases of budgeting, accounting, and reporting.
3. This list represents selected cost items and is not an all inclusive list of costs which may be prescribed by Federal and or State laws or regulations.
4. Although a cost may be allowable under Federal guidelines, the State Purchasing Agency has the discretion to limit or disallow the cost due to the availability of funds and or funding restrictions.
5. In cases where certain items, definitions, explanations or requirements are difficult to understand, the applicant/provider should seek written clarification from the State Purchasing Agency.
6. Required documentation shall be in place and only submitted at the request of the purchasing agency.

COST ITEM	DESCRIPTION	ALLOWABLE/UNALLOWABLE	REMARKS
<p>CATEGORY A: PERSONNEL COSTS</p> <p>Compensation for Personal Services</p> <p>Salaries and Wages</p> <p>Vacation Leave</p> <p>Sick Leave</p> <p>Overtime</p> <p>Bonuses</p> <p>Severance Pay</p>	<p>Compensation for personal services currently paid or accrued.</p>	<p>Allowable:</p> <p>Base salaries and wages to the extent that the range is reasonable for the services rendered.</p> <p>Allowable with prior approvals:</p> <p>Overtime.</p> <p>Salary increases.</p> <p>Unallowable:</p> <p>Bonuses.</p> <p>Severance pay.</p> <p>Excessive compensation.</p> <p>Payment for vacation and sick leave in lieu of leave not taken.</p>	<p>Required Documentation:</p> <p>Schedule detailing total annual salary for each position, computation of each positions' FTE and service site.</p> <p>Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to the contract(s). The reports must reflect an after-the-fact determination of the total actual activity of each employee. The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports. (Note: The State is requesting that adequate records supporting the allocation of salaries be maintained and not necessarily detailed timesheets, e.g., accounting for each quarter hour for each employee.)</p> <p>Personnel policies and procedures governing vacation leave, sick leave, and overtime pay.</p>

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<p>CATEGORY A: PERSONNEL COSTS</p> <p>Payroll Taxes and Assessments</p>	All Federal and State requirements.	<p>Allowable: Employer's portion of FICA, workers compensation, unemployment insurance, and temporary disability insurance.</p> <p>Unallowable: Fines and penalties due to late filing and/or payment.</p>	<p>Required Documentation: Schedule detailing applicable percentages of statutory ceilings for each payroll tax, insurance and other costs.</p>
<p>CATEGORY A: PERSONNEL COSTS</p> <p>Fringe Benefits</p>	Employers' portion of health care and retirement benefits.	<p>Allowable: Health care insurance.</p> <p>Allowable with prior approval: Retirement plans.</p> <p>Unallowable: All costs considered as perquisites.</p>	<p>Required Documentation: Each benefit should be clearly detailed in the personnel policies and procedures.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Airfare (Inter-Island)</p>	Costs for airline tickets or coupons.	<p>Allowable with prior approval.</p> <p>Unallowable: First class travel.</p>	<p>Required Documentation: Schedule of inter-island travel detailing staff, destination, purpose, fare costs, per diem/subsistence and dates of travel. Personnel policies and procedures governing travel.</p> <p>Cost of unused coupons shall not be charged to the contract.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Airfare (Out-of-State)</p>	Costs for airline tickets or coupons.	<p>Allowable with prior approval.</p> <p>Unallowable: First class travel.</p>	<p>Required Documentation: Schedule of out-of-state travel detailing staff, destination, purpose, fare costs, per diem/subsistence and dates of travel. Personnel policies and procedures governing travel.</p> <p>Cost of unused coupons shall not be charged to the contract.</p>

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<p><b>CATEGORY B: OPERATING COSTS</b></p> <p>Audit Services</p>	Cost of an audit by an independent certified public accountant.	<p>1. Allowable under contracts with federal funds:</p> <p>a. Audits completed in accordance with OMB Circular A-133, required for providers expending \$300,000 or more in federal funds during the fiscal year.</p> <p>b. Limited scope audits arranged and paid for by pass through entities to monitor subrecipients.</p> <p>2. Allowable under contracts with only State funds:</p> <p>a. Financial audits of the organization.</p> <p>b. Special audits required by the State.</p>	<p>Required Documentation:</p> <p>1.a. Financial statements and schedule of expenditures of Federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plans. If the audit does not contain questioned costs or audit findings related to the pass through federal funds, a notification letter may be sent to the pass through entity (see OMB Circular A-133, Subpart C.)</p> <p>1.b. Copy of limited scope audit report.</p> <p>2.a. &amp; b. Copies of the audit report and management letter issued by the auditor.</p>
<p><b>CATEGORY B: OPERATING COSTS</b></p> <p>Contractual Services - Administrative</p>	Costs of administrative professional and consultant services, which cannot be performed by the applicant/provider's staff.	<p>Allowable:</p> <p>e.g., accounting, bookkeeping, payroll, and secretarial services.</p> <p>Unallowable:</p> <p>Legal fees for defense and prosecution of criminal and civil proceedings.</p> <p>Retainer payments to attorneys.</p>	<p>Required Documentation:</p> <p>Schedule detailing business or individual's name, description of the service, and contract amount or fee.</p>
<p><b>CATEGORY B: OPERATING COSTS</b></p> <p>Contractual Services - Subcontracts</p>	Costs of professional and consultant services necessary for the delivery of the primary contracted services, which cannot be performed by the applicant/provider's staff.	<p>Allowable with prior approval:</p> <p>Professional fees for services used by the program.</p>	<p>Required Documentation:</p> <p>Justification for contractual services proposed.</p> <p>Schedule detailing subcontracted organization or individual's name, description of the service, and contract amount or fee.</p> <p>Executed agreements between the contracting parties.</p>

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<p>CATEGORY B: OPERATING COSTS</p> <p>Depreciation</p>	<p>Depreciation expense is the method of allocating the cost of a capital asset over the estimated useful life of the asset.</p>	<p>Allowable: Depreciation of equipment, motor vehicles, and buildings and capital improvements, required for the program, e.g., renovations in connection with the program for office and program requirements.</p> <p>Unallowable: Idle facilities. Assets acquired through the State or Federal government.</p>	<p>Required Documentation: Depreciation schedule, cost allocation bases, previous depreciation taken, and budgeted depreciation expense.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Food</p>	<p>Provisions for meals and snacks. Food provided as part of the contract services for clients.</p>	<p>Allowable: Food costs required as part of the contract services for clients.</p> <p>Unallowable: Food costs covered by SSI or other funds.</p>	<p>Required Documentation: Schedule detailing description and cost.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Indirect Costs (Negotiated Federal Rate)</p>	<p>Costs incurred for common or joint objectives that cannot be readily identified with a particular final cost objective, e.g., general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.</p>	<p>Allowable: General operating costs equitably distributed to benefiting objectives by using a current rate negotiated with the federal government.</p> <p>Unallowable: Indirect costs based on a rate that has not been negotiated with the federal government.</p>	<p>Required Documentation: A valid copy of the written agreement with the federal agency for the negotiated rate.</p> <p>Attach to <u>Proposal Budget</u> if used.</p>

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<p>CATEGORY B: OPERATING COSTS</p> <p>Insurance</p>	Cost of insurance required or approved pursuant to the contract.	<p>Allowable:</p> <p>Indemnification coverage. General liability. Bonding. Applicant/provider's automobiles. Fire. Hurricane. Flood.</p> <p>Unallowable:</p> <p>Life insurance premiums of officers, employees, or Board members where the applicant/provider is the beneficiary.</p>	<p>Required Documentation:</p> <p>A valid Certificate of Insurance which shows the following:</p> <ol style="list-style-type: none"> <li>1. Policy in effect during the contract period.</li> <li>2. Liability coverage(s) as specified in the agreement.</li> <li>3. The contracted services or type of services.</li> <li>4. The State of Hawaii and the state purchasing agency as the certificate holder.</li> <li>5. Address of the state purchasing agency.</li> <li>6. The State of Hawaii named as additionally insured.</li> <li>7. Statement that the insurance policy shall not be canceled unless the insurance company has first given the State purchasing agency 30 calendar days written notice of the intended cancellation.</li> </ol>
<p>CATEGORY B: OPERATING COSTS</p> <p>Interest</p>	Costs incurred for interest on borrowed capital.	<p>Allowable with prior approval:</p> <p>Interest on debt incurred after May 14, 1997 to acquire or replace capital assets (including renovations, alterations, equipment, land, and capital assets acquired through capital leases), acquired after May 14, 1997 and used in support of the State contracts.</p> <p>Unallowable:</p> <p>All other interest costs.</p>	<p>Required Documentation for prior approval:</p> <p>A statement of purpose and justification for facility acquisition or replacement.</p> <p>A statement as to why current facilities are not adequate.</p> <p>A statement of planned future use of the facility.</p> <p>A description of the financing agreement to be arranged for the facility.</p> <p>A summary of the building contract with estimated cost information and statement of source and use of funds.</p> <p>A lease/purchase analysis which shows that a financed purchase or capital lease is less costly to the organization than other leasing alternatives (See OMB Circular A-122.)</p> <p>Reimbursements will be limited to the least costly alternative.</p>

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<p>CATEGORY B: OPERATING COSTS</p> <p>Lease/Rental of Equipment</p>	Lease rent of program equipment used for contractual services.	<p>Allowable: Rental or lease cost in connection with the program for office and program requirements.</p> <p>Unallowable: Security deposits. Loan payments made in connection with purchase of equipment.</p>	<p>Required Documentation: Schedule detailing item, purpose, cost and usage. Lease/rental agreement.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Lease/Rental of Motor Vehicles</p>	Motor vehicle lease costs related to contracted services.	<p>Allowable: Leasing costs of vehicles used directly in connection with the program.</p> <p>Unallowable: Security deposits. Loan payments made in connection with purchase of vehicle.</p>	<p>Required Documentation: Schedule detailing vehicle, purpose, cost and usage. Lease/rental agreement.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Lease/Rental of Space</p>	Lease rental of office and program facility space.	<p>Allowable: Lease rent paid for office and program requirements. Common area charges.</p> <p>Unallowable: Security deposits. Unused space.</p>	<p>Required Documentation: Lease/rental agreement.</p> <p>Payments must be made to a third party and comparable to other properties in the area. Rental costs under sale and leaseback arrangements are allowable only up to the amount that would be allowed had the organization continued to own the property.</p>

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<p>CATEGORY B: OPERATING COSTS</p> <p>Mileage</p>	<p>Travel allowances based on staff's mileage actually incurred.</p> <p>Reimbursement to staff using their private vehicles for business related to the contract.</p>	<p>Allowable: Mileage reimbursement not to exceed federal (IRS) allowances.</p> <p>Unallowable: Monthly auto allowances. Relocation costs. Reimbursement for personal use or non-contract related mileage.</p>	<p>Required Documentation:</p> <p>Schedule for mileage detailing position of staff, destination, purpose and total miles claimed.</p> <p>A record of business miles traveled for each trip using employees' personal vehicle.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Postage, Freight and Delivery</p>	<p>Mailing, shipping and delivery costs.</p>	<p>Allowable: Postage stamps. Costs for mailing, e.g., certified mail. Delivery charges for goods purchased.</p>	
<p>CATEGORY B: OPERATING COSTS</p> <p>Program Activities</p>	<p>All other cost items directly related to or required in order to deliver services to clients.</p>	<p>Allowable: e.g., client incentives, client excursions, training wages, and client/volunteer stipends.</p>	<p>Required Documentation:</p> <p>A schedule detailing:</p> <ol style="list-style-type: none"> <li>1. Description of program activity.</li> <li>2. Frequency of activity.</li> <li>3. Number of participants.</li> <li>4. Cost per person.</li> </ol> <p>Restrictions:</p> <p>All program activities are limited to contract provisions; and costs must be incurred on behalf of clients.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Publication, Printing and Advertising</p>	<p>Costs of printing and binding, and subscriptions.</p> <p>Costs of media services.</p> <p>Media advertising includes magazines, newspapers, radio and television programs, direct mail, exhibit, and the like.</p>	<p>Allowable: Publications used directly in the program. Professional books and journals. Recruitment of personnel. Procurement of goods and services. Advertisements specifically required by contract.</p>	<p>Required Documentation:</p> <p>Schedule providing basis for estimating cost of postage, printing and copying.</p> <p>Schedule for subscriptions and publications detailing titles and costs.</p>

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<p>CATEGORY B: OPERATING COSTS</p> <p>Repairs and Maintenance</p>	<p>Necessary maintenance, repair and upkeep of facilities, buildings and equipment.</p>	<p>Allowable: Costs incurred for repair and maintenance of facilities and equipment, e.g., janitorial services, painting, plumbing and electrical repairs For leased space, allowed for lessee if responsibility by lessor is not specified in the rental agreement.</p> <p>Unallowable: Expenditures which will increase the life of a capital asset.</p>	
<p>CATEGORY B: OPERATING COSTS</p> <p>Staff Training</p>	<p>Cost of preparation and maintenance of on-the-job, classroom and other training to increase the employees' vocational effectiveness.</p> <p>Training for staff who provide direct service to recipients. Conference and workshops for the purpose of dissemination of technical information to improve the delivery of the service.</p>	<p>Allowable: Registration and tuition costs. Costs of materials, including books. Out of State training, with prior approval. Training for administrative personnel with prior approval.</p> <p>Unallowable: Entertainment costs, e.g., office parties. Training courses taken by an employee to acquire basic skills which should have been brought to the job, or to qualify for duties other than the position held.</p>	<p>Required Documentation: Schedule detailing title of training, date, persons attending and purpose.</p>
<p>CATEGORY B: OPERATING COSTS</p> <p>Subsistence/Per Diem</p>	<p>Costs for room and board while on official travel status.</p>	<p>Allowable: Subsistence or per diem rates may be used.</p> <p>Restriction: Not to exceed State per diem allowances.</p> <p>Unallowable: All tips and gratuities.</p>	<p>Required Documentation: Travel policies and procedures. Receipts for subsistence payments.</p> <p>For overnight accommodations, room rates must be reasonable and ordinary in relation to accommodations within the surrounding area and type of accommodation.</p>

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CATEGORY B: OPERATING COSTS  Supplies	Cost of materials and other consumable supplies necessary for the performance of the contract.	Allowable: Office supplies. Motor vehicle supplies. Educational supplies. Medical supplies. Recreational supplies. Janitorial supplies. Program supplies.	
CATEGORY B: OPERATING COSTS  Telecommunication	Cost of telephone service, equipment rentals, telefacsimile, and long distance charges.  For telephone equipment purchases, see Equipment Purchases.	Allowable: Normal monthly charges including telefacsimile lines. Inter-island calls. Long-distance mainland calls. Installation costs.	Required Documentation: Schedule detailing phone installation, monthly rates, inter-island calls, number of lines and instruments to support budget request.
CATEGORY B: OPERATING COSTS  Transportation	Cost of ground transportation while on official travel status.	Allowable: Taxi fare. Bus fare. Auto rentals. Parking fees.  Unallowable: All tips and gratuities. Parking tickets and fines.	Required Documentation: Receipts.
CATEGORY B: OPERATING COSTS  Utilities	Utility services.	Allowable: Water/Sewer. Electricity. Gas. Refuse.	Required Documentation: Schedule detailing monthly and annual costs for each item.

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COST ITEM	DESCRIPTION	ALLOWABLE/UNALLOWABLE	REMARKS
<p>CATEGORY C: EQUIPMENT</p> <p>Equipment Purchases</p>	<p>Purchase of an item costing more than \$250 and having a useful life of more than one year.</p>	<p>Allowable: Equipment required for the program.</p>	<p>Required Documentation: Schedule detailing cost, use, and clear justification.</p> <p>Restrictions: Purchased equipment must be primarily for contracted services and critical to the delivery of services to the target population. Purchased equipment is the property of the State and may be collected upon termination of the contract.</p>
<p>CATEGORY D: MOTOR VEHICLE</p> <p>Motor Vehicle Purchases</p>	<p>Purchase of autos, vans, trucks and buses.</p>	<p>Allowable: Motor vehicles required for the program.</p>	<p>Required Documentation: Schedule detailing cost, use, and clear justification.</p> <p>Restrictions: Purchased vehicle must be for contracted services and critical to the delivery of services to the target population. Purchased motor vehicles are the property of the State and may be collected upon termination of the contract.</p>

## CHAPTER 103F, HRS - COST PRINCIPLES

### COST PRINCIPLES INDEX

**Purpose:** This index should be used as a guide to reference and locate selected items of allowable costs and general unallowable costs.

<b>Cost Principles Index</b>	
Accommodations	Category B, Subsistence/Per Diem
Advertising	Category B, Publication, Printing and Advertising
Airfare (Inter-Island)	Category B, Airfare (Inter-Island)
Airfare (Out-of-State)	Category B, Airfare (Out-of-State)
Audit	Category B, Audit Services
Auto License and Registration	Category B, Program Activities
Bank Service Charges	Category B, Program Activities
Bad Debts	Unallowable Costs
Binding (Publications)	Category B, Publication & Printing
Bonuses	Category B, Unallowable Costs
Books	Category B, Publication & Printing
Bus Fare	Category B, Transportation
Capital Expenditures for Land or Buildings	Unallowable Costs
Capital Expenditures for Improvements	Unallowable Costs
Car Rental	Category B, Transportation
Certified Mail	Category B, Postage, Freight & Delivery
Classified Ads for Personnel Vacancies	Category B, Publication & Printing
Client Incentives	Category B, Program Activities
Client Wages	Category B, Program Activities
Conference Fees	Category B, Staff Training
Contingencies	Unallowable Costs
Contractual Services	Category B, Contractual Services (Admin or Subcontracts)
Contributions	Unallowable Costs
Delivery	Category B, Postage, Freight & Delivery
Depreciation	Category B, Depreciation
Donations	Unallowable Costs
Duplicate Reimbursements	Unallowable Costs
Educational Supplies	Category B, Supplies
Electricity	Category B, Utilities
Entertainment	Unallowable Costs
Equipment (Depreciation)	Category B, Depreciation
Equipment (Lease)	Category B, Lease/Rental of Equipment
Equipment (Purchases)	Category C, Equipment Purchases
Equipment (Rental)	Category B, Lease/Rental of Equipment
Equipment (Repair and Maintenance)	Category B, Repair & Maintenance
FAX	Category B, Telecommunication
FAX (Installation Costs)	Category B, Telecommunication
FICA	Category A, Payroll Taxes and Assessments
Financial Audit	Category B, Audit Services
Fines	Unallowable Costs
Food Costs	Category B, Food
Freight	Category B, Postage, Freight & Delivery

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Fringe Benefits	Category A, Fringe Benefits
Fund Raising	Unallowable Costs
Gas	Category B, Utilities
Gifts	Unallowable Costs
Ground Transportation	Category B, Transportation
Health Care Insurance	Category A, Fringe Benefits
Independent Audit	Category B, Audit Services
Indirect Charges	Category B, Indirect Costs
Insurance (Except Health Insurance)	Category B, Insurance
Insurance (Health Care)	Category A, Fringe Benefits
Janitorial Services	Category B, Contractual Services
Janitorial Supplies	Category B, Supplies
Journals	Category B, Publication & Printing
Lease (Equipment)	Category B, Lease/Rental of Equipment
Lease (Motor Vehicles)	Category B, Lease/Rental of Motor Vehicles
Lease (Office Space)	Category B, Lease/Rental of Space
Lobbying	Unallowable Costs
Losses Incurred Under Other Contracts	Unallowable Costs
Mailing	Category B, Postage, Freight & Delivery
Maintenance	Category B, Repair & Maintenance
Materials	Category B, Supplies
Meals and Snacks	Category B, Food
Medical Supplies	Category B, Supplies
Mileage	Category B, Mileage
Motor Vehicle (Purchases)	Category D, Motor Vehicle Purchases
Motor Vehicle Supplies	Category B, Supplies
Motor Vehicles (Depreciation)	Category B, Depreciation
Motor Vehicles (Lease)	Category B, Lease/Rental of Motor Vehicles
Motor Vehicles (Rent-a-Car)	Category B, Transportation
Motor Vehicles (Rental)	Category B, Lease/Rental of Motor Vehicles
Office Space (Depreciation)	Category B, Depreciation
Office Space (Lease)	Category B, Lease/Rental of Space
Office Space (Rental)	Category B, Lease/Rental of Space
Office Space (Repair and Maintenance)	Category B, Repair & Maintenance
Office Space (Security Deposits)	Unallowable Costs
Office Supplies	Category B, Supplies
Organization Costs	Unallowable Costs
Other Items	Category B, Program Activities
Overtime	Category A, Salaries
Parking	Category B, Transportation Costs
Payroll Taxes & Assessments	Category A, Payroll Taxes and Assessments
Penalties	Unallowable Costs
Postage	Category B, Postage, Freight & Delivery
Postage Stamps	Category B, Postage, Freight & Delivery
Perquisites	Unallowable Costs
Private Vehicles	Category B, Mileage

## CHAPTER 103F, HRS - COST PRINCIPLES

Professional Services	Category B, Contractual Services
Program Activity Costs	Category B, Program Activities
Provisions	Category B, Food
Publication and Printing	Category B, Publication & Printing
Recreational Supplies	Category B, Supplies
Refuse Collection	Category B, Utilities
Rent-a-Car	Category B, Transportation
Rental (Equipment)	Category B, Lease/Rental of Equipment
Rental (Motor Vehicles)	Category B, Lease/Rental of Motor Vehicles
Rental (Office Space)	Category B, Lease/Rental of Space
Repair	Category B, Repair & Maintenance
Retirement Benefits	Category A, Fringe Benefits
Retirement Plans	Category A, Fringe Benefits
Salaries	Category A, Salaries
Security Deposits	Unallowable Costs
Security Deposits (Office Space)	Unallowable Costs
Severance Pay	Unallowable Costs
Sick Leave	Category A, Salaries
Staff Training	Category B, Staff Training
Subscriptions (Publications)	Category B, Publication & Printing
Subsistence/Per Diem	Category B, Subsistence/Per Diem
Supplies	Category B, Supplies
Taxi	Category B, Transportation
TDI (Temporary Disability Insurance)	Category A, Payroll Taxes and Assessments
Telephone (Installation Costs)	Category B, Telecommunication
Telephone (Long distance charges)	Category B, Telecommunication
Telephone (Rentals)	Category B, Telecommunication
Tuition	Category B, Staff Training
Unemployment Insurance	Category A, Payroll Taxes and Assessments
Utilities	Category B, Utilities
Vacation Leave	Category A, Salaries
Water	Category B, Utilities
Workers Compensation	Category A, Payroll Taxes and Assessments
Workshop Fees	Category B, Staff Training
Yard Services	Category B, Contractual Services